

Promoting Religious Freedom During the Campaign Against Terrorism": Richard Newcomb Oral Testimony

November 27, 2001 MR. NEWCOMB: Thank you, Mr. Chairman. Members of the Commission, I'm delighted to be here this afternoon to talk about the programs at the Treasury Department and the Office of Foreign Assets Control that might be of assistance in your endeavors. First let me say I've been asked to talk about incentives and tools that might be adaptable from the programs we use for your charge. Incentives and tools, carrots and sticks, persuasion and leverage, leading to change. In many respects these are the things that we do on a day-to-day basis in the programs that we administer. The Office of Foreign Assets Control administers economic sanctions and embargo programs promulgated by the President or the Congress because of threats outside of the United States to national security, foreign policy or the economy. Programs can be shaped based on the foreign policy needs that are dictated by the current event that may lead to promulgating a national emergency. We've long been involved with these programs in the terrorism area. First with regard to the 6j countries, the so-called countries, state sponsors of terrorism, we have individual country programs in Iran, Iraq, Libya, Cuba, North Korea, Syria and Sudan. This was enhanced significantly in 1995 when President Clinton used this authority to promulgate a program involving terrorists disrupting the Middle East peace process. By doing so, the President named the names of 12 organizations that were involved in terrorist activity, disrupting this process, and conferred upon us the authority to name derivative names of individuals and entities that were involved in that activity. This was enhanced in '96 by the Antiterrorism and Effective Death Penalty Act and the requirement that the Secretaries of State, Treasury and the Attorney General, on a biennial basis, promulgate a foreign terrorist organization list to criminalize the fund raising for these terrorist organizations. In 1997 sanctions were imposed directly on Sudan because of the activities involving religious persecution and other terrorist type events. In '98, following the bombings of the embassies in Dar-es-Salaam and Nairobi, Osama bin Laden and al Qaeda were added to the list of especially designated terrorists disrupting the Middle East peace process. In '99 a comprehensive sanctions program was promulgated against the Taliban, followed by two UN Security Council resolutions, first 1267 and then 1333 in December of 2000. Following the events of September 11th a new Executive Order was promulgated specifically targeting Osama bin Laden and al Qaeda, where the international community has the broadest standard ever imposed against an organization like this, and conferring upon the United States and members states of the UN, the ability to name the names of individuals and entities acting for or on behalf of, owned or controlled by, providing material financial technological support for or otherwise associated with, the targets of a particular program, in this case Osama bin Laden and al Qaeda. Since that time, as an appendix to President Bush's Executive Order of September 24th, and with two subsequent lists, names have been added such that there are now 150 names in the United States and adopted by the UN that are targeted as prescribed business partners. Moreover, assets are blocked worldwide of these individuals and entities. Additionally, the foreign terrorist organizations in the United States have been broadened under the ambit of the Executive Order signed by the President on September 24th. Thus, there's broad authority to act by the United States and the United Nations in naming the names of controlled entities. Let me spend a minute talking about terrorism and how money moves within terrorist groups. Groups such as al Qaeda use banks, legal businesses, front companies, and underground financial systems. Some operatives engage in petty theft to support their cells. Other elements profit from the drug trade. Checks, credit cards, ATM cards and wire transfer systems are used by terrorist supporters everywhere in the world. Often accounts are maintained in names unknown to us. Sometimes our intelligence and enforcement community may have information on a suspected terrorist's account or banks beholden to terrorist funds. But the ability to exploit a correspondent bank or create a shell bank may shield the network from scrutiny. In parts of the world large amounts in cash may be transported across borders without regulation. Al Qaeda and other groups have used this method as well. Underground money transfer systems are also used. One is called hawala, which operates on trust, guaranteed anonymity; it's beyond regulation with little or no paper trail. Operators engaged in this system deliver money across borders without physically moving it, assured that the accounts will be settled by money or material goods returned at some future reverse transaction. NGOs are sometimes penetrated, exploited or controlled by terrorists involved with groups like al Qaeda. NGOs associated with groups like al Qaeda, like the majority of Islamic charities not connected to terrorism, raise money ostensibly to provide relief for refugees, widows and orphans. Often individuals seeking to make contributions to provide relief for the poor and impoverished are defrauded and funds are diverted to terrorist activity unwittingly. Cleansing manipulated NGOs from exploitation and dismantling others to willfully abetting terrorism is a critical part of this war against terrorism. This will require working with foreign governments and with top officials of these Islamic charities. Programs must be developed to provide reliable oversight and controls on the use of these charitable funds. Charities advertising to help refugees, widows and orphans should be doing just that, not funneling money to these organizations or indoctrinating impoverished populations with political religious extremism, which leads to terrorism. Tracking terrorist fund raising and the movement of these assets through numerous countries is a complex task, involves the pooling of information and cooperation of many different government agencies and foreign countries. This is what the Foreign Terrorist Asset Tracking Center was set up within the Office of Foreign Assets Control to do. The need to create an over-arching strategy to deal with unique challenges of targeting terrorist fund raising has become very apparent since the events of September 11th. Historically, U.S. Government law enforcement agencies have tended to focus on developing and analyzing terrorist financing information to prosecute cases. The intelligence community is focusing and countering terrorist operations against U.S. persons abroad. Attention to terrorist financing requires an effort to systematically trace fund raising money movements and fund placements and in developing an overall strategy to disrupt the flow of funds that support terrorist organizations and terrorist acts. While Treasury has been

tasked, as the operational entity, to lead these Foreign Terrorist Asset Tracking Center, because of the work that has been done in the past about state sponsors of terrorism financing networks, plus it already has the authority to collect information and track assets using data from all sources and the programmatic authority to target the terrorist groups in the listed countries. CHAIRMAN YOUNG: Mr. Newcomb, you have about 30 seconds left. MR. NEWCOMB: I think I'm done. Thank you, Mr. Chairman. CHAIRMAN YOUNG: Thank you. I will just take this opportunity, by the way, to thank you on behalf of the Commission. For the past three years we have worked closely with your office and you have always gone above and beyond the call of duty to provide us information and to work with us. And we appreciate that very much. We're grateful, and I just publicly wanted to acknowledge all the assistance that your office has provided. Thank you. MR. NEWCOMB: Thank you, Mr. Chairman. And let me say it's been a real pleasure working with you and your staff as well. CHAIRMAN YOUNG: Thank you.